

## Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 ISO-00 AID-20 CIAE-00 COME-00 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

CIEP-03 LAB-06 SIL-01 OMB-01 NSC-07 SS-20 STR-08

CEA-02 TAR-02 INT-08 GSA-02 L-03 H-03 DODE-00 PA-04

USIA-15 PRS-01 DRC-01 /172 W  
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P R 072331Z AUG 74

FM AMEMBASSY MEXICO

TO SECSTATE WASHDC PRIORITY 3162

INFO AMCONSUL MONTERREY

AMCONSUL GUADALAJARA

UNCLAS MEXICO 6700

E.O. 11652: N/A

TAGS: EIND, ETRD, MX

SUBJ: US FERROUS SCRAP EXPORTS: PRESS REPORTS MEXICO WILL  
AGAIN APPEAL QUOTA INCREASE

REF: MEXICO 4990

1. A LEADING MEXICO NEWSPAPER, UNIVERSAL, REPORTED TODAY AUGUST 7, 1974 THAT MEXICO AGAIN PLANS TO APPEAL TO USG FOR FERROUS SCRAP QUOTA INCREASE. ARTICLE STATES QUOTA ALLOWS ROUGHLY 600,000 METRIC TONS (MTS) ANNUALLY BUT MEXICO REQUIRES IMPORTS OF 1 MILLION TONS ANNUALLY. THIS CORROBORATES EMBASSY INFORMATION RECEIVED FROM STEEL CHAMBER THAT MEXICO PLANS TO IMPORT 1 MILLION MTS THIS YEAR. WHEN QUERIED BY EMBOFF, CHAMBER DIRECTOR SAID DIFFERENCE OF 400,000 MTS WILL COME FROM SHIP AND RAIL CAR SCRAP, BUT DID NOT WISH TO FURTHER ELABORATE.

2. ACCORDING TO STORY, MEXICO WILL APPEAL FOR FREE IMPORTATION OF SCRAP, CHARGING THAT IN CURRENT SITUATION US MIDDLE MEN ARE OBTAINING PROFITS OF MORE THAN \$32 MILLION, WHICH INCREASES  
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PRICE OF PRODUCT AND THEREFORE IS PREJUDICIAL TO MEXICAN STEEL

CONSUMER.

3. YESTERDAY NEW PRESIDENT OF STEEL CHAMBER, ING. DANIEL CABRERO RAMIREZ, HEADED A STEEL CHAMBER COMMISSION WHICH MET WITH FON MIN RABASA TO EXPLAIN "THE GRAVE PROBLEM" AND TO PRESENT THREE PROPOSALS; 1) A QUOTA INCREASE TO 1 MILLION MTS, 2) DIRECT EXPORTATION BY U.S. EXPORTERS TO AVOID U.S. MIDDLE MAN RIP OFF UP TO \$30 PER TON, AND 3) EXCLUSION OF RAILS AND EXLES FROM QUOTA, SINCE THEY ARE NOT SMELTED AND SHOULD BE SEPARATED FROM THE REST.

4. ARTICLE SAYS RABASA WAS APPROACHED BECAUSE OF HIS INTEREST IN RESOLVING SCRAP PROBLEM. ING. CABRERO STATED ANNUAL DEFICIT OF \$400,000 MTS WOULD BE IMPOSSIBLE TO OVERCOME WITHOUT HELP OF USG. HE SAID CURRENT SITUATION IS MORE DESPERATE THAN LAST YEAR WHEN PRIVATE AND PUBLIC INITIATIVE BROUGHT ABOUT DOMESTIC SCRAP COLLECTION WHICH PARTLY ALLEVIATED PROBLEM. THIS YEAR, SAYS CABRERO, PROBLEM IS MORE DRASTIC, BECAUSE THERE IS NO

DOMESTIC SCRAP AVAILABLE, WITH AUTO JUNK YARDS YIELDING SCARCELY 100 TONS DAILY, I.E. ONE DAY'S CONSUMPTION IN A FOUNDRY. ALSO OTHER FOREIGN SCRAP SOURCES HAD PROVE IMPRACTICAL, COMPARING QUANTITY WITH COST. CABRERO SAID THAT MEXICO AND CANADA ARE CERTAINLY NOT AT A DISADVANTAGE COMPARED TO CENTRAL AND SOUTH AMERICAN COUNTRIES BUT A QUOTA OF 1 MILLION MTS IS NECESSARY TO CONTINUE MEXICO'S ECONOMIC PROGRESS.

5. COMMENT: WITH THIS NEW REPORT, IT SEEMS MEXICO STEEL INDUSTRY IS AGAIN PUSHING FOR QUOTA CHANGES. THIS IS NATURAL RESULT OF INDUSTRY ASSERTIONS THUS FAR THIS YEAR THAT MEXICO WILL REACH SCRAP IMPORT GOAL OF 1 MILLION MTS BY YEAR'S END. IF RABASA IS CONVINCED OF URGENCY HE MAY MAKE SECOND APPEAL TO SECRETARY KISSINGER.

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